GOVERNMENT OF INDIA
DISINVESTMENT
LOK SABHA

UNSTARRED QUESTION NO:267
ANSWERED ON:20.11.2001
DISINVESTMENT OF ITDC HOTELS
AVSM, BRIG.(RETD.) KAMAKHYA PRASAD SINGH DEO;BHIM PRASAD DAHAL;CHANDRA BHUSHAN SINGH;M. JAGANNATH;RAM SINGH KASWAN;SUNDER LAL TIWARI;UMMAREDDY VENKATESWARLU;YOGI ADITYANATH

Will the Minister of DISINVESTMENT be pleased to state:

(a) whether the Government propose to disinvest ITDC Hotels during the current financial year;

(b) if so, the details thereof and the steps taken in the matter;

(c) whether the Government have received any bidders for these hotels;

(d) if so, the details thereof;

(e) the annual profit/loss being accrued by these hotels;

(f) whether the Government have given careful consideration to the sale of such national assets; and

g) if so, the details in this regard?

Answer

MINISTER OF DISINVESTMENT AND MINISTER OF DEVELOPMENT OF NORTH EASTERN REGION (SHRI ARUN SHOURIE)

(a) Yes, Sir.

(b) Accepting the recommendations of the Disinvestment Commission, the Government has decided to disinvest all the 26 hotels of India Tourism Development Corporation, in the following manner:

i. The four hotels, namely, Ashok Hotel, New Delhi, Hotel Samrat, New Delhi, Bangalore Ashok, Bangalore and Hotel Lalitha Mahal Palace, Mysore on lease-cum- management basis; and

ii. The other 22 hotels on sale basis.

(c) & (d) Expressions of Interest were invited for 17 hotels (8 in the 1st tranche & 9 in the 2nd tranche). After due diligence by the qualified parties and finalization of transaction documents, financial bids were invited for the 8 hotels advertised in the 1st tranche. No bids/compliant bids were received for two hotels and in respect of the remaining 6 hotels, 8 bids in all were received and the respective highest bids in each of the 6 hotels have been accepted by Government. The bids in respect of the 9 hotels advertised in the 2nd tranche are yet to be invited. In respect of the remaining hotels, the advertisement inviting Expression of Interest is yet to be issued.

e) The net loss of 26 ITDC hotel units during the year 1999-2000 was Rs. 44.58 crores.

(f) & (g) Disinvestment is being considered and carried out in various PSUs in accordance with the declared policy of the Government. According to the policy, in generality of cases, Government will bring down its equity to 26% or below in all non-strategic PSUs. The strategic PSUs are those in the areas of arms and ammunitions, allied items of defence equipment, defence aircrafts and warships, atomic energy (except in the areas related to the generation of nuclear power and applications of radiation and radio isotopes to agriculture, medicine and non-strategic industries) and railway transport. This policy covers all Central PSUs, including ITDC.

The Government has taken up the process of disinvestment in ITDC following the acceptance of recommendations of the Disinvestment Commission. While recommending disinvestment of ITDC, the Commission observed that:

• ITDC falls under the category of non-core industry.

• Public sector is handicapped in providing high quality of services especially in the luxury segment, which is one of the key success factors in the hotel industry.

• Public sector does not have to play a role in providing hospitality services in metro locations where the private sector has established adequate presence in the market.

• In non-metro and other locations where the private sector hotels are yet to establish a presence, the public sector may be suited to play the role of a facilitator rather than direct provider of services.

• The role of the Government in the tourism sector should be re-oriented towards facilitating development of tourism and away from actually providing services.